

**COMPILATION OF MATERIAL FINDINGS ON 2010 AFS OF FINANCING COMPANIES**  
**TOTAL NUMBER OF COMPANIES COVERED: 50**

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
Statement of Management's Responsibility	The Statement of Management's Responsibility failed to indicate the name of the company's external auditor (SRC Rule 68)	2	4%
	The signatory/ies in the Statement of Management's Responsibility is not consistent with the information in the submitted General Information Sheet	6	12%
	The Statement of Management's Responsibility is not in accordance with the prescribed wordings under SRC Rule 68.	2	4%
Auditor's Report	The report is not in accordance with the prescribed wordings under PSA 700, as redrafted;	4	8%
	There is no emphasis of a matter paragraph in the report that highlights the existence of a material uncertainty relating to the event or condition that may cast significant doubt on the entity's ability to continue as a going concern and draws attention to the note in the financial statements that discloses the matters set out in paragraph 32 of the standard (PSA 570).	1	2%
	The external auditor is not accredited with the Commission under Group C category as of date of audit.	3	6%
Balance Sheet	There are no disclosures on reclassification of accounts (PAS 1, as revised)	1	2%
Supplemental Written Statement of External Auditor	There is no Supplemental Written Statement of External Auditor (SRC Rule 68).	1	2%
	The second paragraph of the Supplemental Written Statement of External Auditor is not in accordance with the prescribed wordings in SRC Rule 68.	1	2%
Corporate Information	Incomplete discussion on going concern issue, i.e., management's plans to address the company's capital deficiency (PAS 1, as revised).	1	2%
Basis of Preparation of FS	The company failed to adopt Philippine Financial Reporting Standards (PFRS) as its basis of preparation of its Financial Statements.	1	2%
Cash and Cash Equivalent	There is no accounting policy on Cash and Cash Equivalent (PAS 39)	1	2%

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
Receivables	<p>There are no disclosures showing that the existence of any of the aforementioned conditions were considered in the provisioning for probable losses to comply with Section 9 (f) of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998):</p> <ul style="list-style-type: none"> <li>a) Clean loans and advances past due for a period of more than six (6) months;</li> <li>b) Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;</li> <li>c) Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;</li> <li>d) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;</li> <li>e) Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and</li> <li>f) Accounts receivable past due for 361 days or more</li> </ul>	<b>32</b>	<b>64%</b>
	There is no accounting policy on subsequent measurement of Receivables (PAS 39).	<b>8</b>	<b>16%</b>
	There is no accounting policy on "Loans and Notes Receivable" (PAS 39)	<b>1</b>	<b>2%</b>
Financial Assets/Investments/ Liabilities	Incomplete accounting policies on impairment of financial assets and, i.e., basis of determining the amount or measurement of impairment, reversal of impairment loss (PAS 39);	<b>5</b>	<b>10%</b>
	There is no derecognition policy on financial assets(PAS 39)	<b>2</b>	<b>4%</b>
	There is no accounting policy on initial recognition of financial liabilities (PAS 39).	<b>1</b>	<b>2%</b>
	Incomplete disclosures on long-term debt, e.g., restriction that the debt instrument	<b>1</b>	<b>2%</b>

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	imposes on the entity (PAS 39).		
Other Assets	There are no accounting policy and disclosures on "Other Assets". (PAS 1, as revised).	1	2%
	There are no accounting policy and disclosures on investment (PAS 40, PAS 28, PAS 27, PAS 39).	1	2%
Investment	There is no disclosure of accounting policy on "Investment" and "Sinking Fund" (PAS 39)	1	2%
Investment Property	The total investment of the company in real estate exceeded 25% of its net worth which is a violation of Section 9 (a) of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998)	2	4%
	There is no accounting policy on properties acquired through foreclosure or repossession (PAS 16/40 / PFRS 5).	2	4%
	There are no accounting policy and disclosures on investment property, i.e., type of property, measurement after recognition, derecognition, methods and significant assumptions applied in determining the fair value of investment property, extent to which the fair value of investment property is based on a valuation by an independent valuer, amount of rental income, direct operating expenses, information required under the cost model or fair value model depending on the model used by the entity (PAS 40)	2	4%
Property and Equipment	Incomplete policies on property, plant and Equipment, i.e., subsequent recognition, impairment, derecognition (PAS 16).	1	2%
	Incomplete disclosures on property plant and equipment, i.e., restriction of title and carrying amount of PPE used as collaterals (PAS 16);	1	2%
Real and Other Properties Owned and Acquired (ROPOA)	There are no accounting policy and disclosures on the company's intention on its recognition of ROPOA (PAS 1, as revised)	4	8%
Impairment of Assets	The measurement and reversal policies on impairment loss of "Trade and other Receivables" are not disclosed (PAS 39)	3	6%
	Incomplete accounting policies on financial liabilities, i.e., initial and/or	1	2%

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Liabilities	subsequent measurement policies, derecognition (PAS 39 & PFRS 7)		
	Incomplete disclosures on financial liabilities, i.e., nature, terms and conditions including whether they are secured and the nature of the consideration to be provided in settlement, guarantee, defaults and breaches (PAS 39 & PFRS 7)	2	4%
	Incomplete disclosures on Notes /Loans Payable, i.e., nature, terms and conditions including the nature of the consideration to be provided in settlement (PAS 39 & PFRS 7)	8	16%
	There are no disclosures of the covenants and warranties on short-term and long-term debt and whether the company is compliant with conditions as of end of year, i.e., defaults and breaches (PFRS 7, pars. 18 and 19)	10	20%
	There are no disclosures of the nature and amount of each item comprising the "Accrued Expenses" (PAS 1, as revised).	1	2%
	There are no disclosures on Miscellaneous Liabilities, Payable to Participating companies arising from syndicated loan" (PAS 1 & PFRS 7);	2	4%
	The recognition of "Unearned Discounted Interest" as separate item under liabilities and not as a deductible item under loan and other receivable is not in accordance with PAS 39.	2	4%
	Specific accounting policies on "Installment Payable" and "Due to related parties" (PAS 39, PFRS 7);	1	2%
	There is no accounting policy on "Accounts Payable" (PAS 39)	1	2%
	Equity	The recognition of the "Deposit for future subscription is not supported by a disclosure of the following: <ul style="list-style-type: none"> <li>• Date of approval by the Board of Directors of the proposed increase in capitalization;</li> <li>• Date of approval by Stockholders of the proposed increase in capitalization; and</li> <li>• Status of SEC application for the approval proposed increase in capital stock</li> </ul> This constitutes an overstatement of Equity and understatement of Liabilities.	1
	There is no accounting policy on the recognition of "Service Fee". There is	7	14%

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
Revenue	likewise no explanatory note on "Other Income" (PAS 18).		
	The policy on revenue recognition of interest income is not in accordance with PAS 18	2	4%
Cost and Expenses	There is no accounting policy on cost and expenses (PAS 18).	5	10%
	The nature and amount of each item comprising "Miscellaneous Expenses" are not disclosed (PAS 1, as revised).	1	2%
Leases	There are no accounting policies and incomplete disclosures on leases, i.e. significant leasing arrangements, gross investment in the lease, present value of minimum lease payments receivable (PAS 17);	7	14%
Related Party Transactions	Incomplete disclosures on related party transactions, i.e., amount of transactions, terms and conditions, guarantees, key management personnel compensation (PAS 24).	19	38%
Income Taxes	Incomplete accounting policy and disclosures on income taxes, i.e., explanation of the relationship between tax expense (income) and accounting profit in numerical reconciliation, and explanation of changes in the applicable tax rate (s) compared to the previous accounting period (PAS 12, par. 81).	4	8%
	The amount of provision for income tax for the fiscal year ended June 30, 2009 as stated in Note 16 is not consistent with that stated in the Comparative Statement of Comprehensive Income	1	2%
Financial Risk Management	Incomplete discussion on financial risk management, i.e., qualitative analysis on credit risk regarding the description of collateral held by the company as security and other credit enhancements and, unless impracticable, an estimate of their fair value (PFRS 7, pars. 36, 37, 38).	11	22%
	Incomplete discussion on financial risk management, i.e., a description of collateral held as security and other credit enhancements, information about the credit quality of financial assets that are neither past due nor impaired, the carrying amount of financial assets that	5	10%

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	would otherwise be past due or impaired whose terms have been renegotiated, the nature and carrying amount of the collateral and other credit enhancements obtained, and the company's policies for disposing of assets or for using them in its operations when the assets are not readily convertible into cash (PFRS 7)		
Capital Management	There is no discussion on capital management, i.e., summary quantitative data about what it manages as capital (revised PAS 1)	15	30%
	Incomplete discussion on capital management, i.e., externally imposed capital requirements (PAS 1, as revised). Note 3, page 14, states that the company is not subject to externally imposed capital requirements. This disclosure is not in accordance with Section 11 of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998) (PAS 1).	5	10%
	Incomplete discussion on capital management, i.e., summary of quantitative data about what it manages as capital, externally imposed capital requirements (revised PAS 1).	3	6%
Critical Accounting Estimates	Incomplete discussion on critical accounting estimates and judgment used, i.e., a summary of significant judgments, estimates and assumptions and related impact and associated risks in the financial statements in the (a) determination of fair value of financial instruments (b) estimating useful lives of property and equipment (c) impairment of property and equipment (d) estimating allowance for credit losses (revised PAS 1)	1	2%
Employee Benefits	There are no disclosures on employee benefits, i.e., retirement benefit plan (PAS 19);	3	6%
Retained Earnings	Insufficient disclosures on the appropriation of retained earnings, e.g., details and timeline of business expansion (PAS 1, Sec. 43 of the Corporation Code of the Philippines.	1	2%